

05/10/17

Let's Review: Define these terms in your own words:

Progressive taxes

Regressive taxes

Card Sort

## 5.1 Sales Tax

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account, and understand why sales tax is considered regressive.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 5.1 Sales Tax

### What is sales tax and for what are the monies used?

**Sales tax is** *a tax charged based on what you buy*

### **Sales taxes are used**

*gov't services (jails, schools, etc)  
roads*

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## 5.1 Sales Tax

### Nontaxable Items (Tax Exempt)

Generally:

- unprepared food
- baby food
- bread
- medicine (prescription and over-the-counter)

### Taxable Items

All others, such as:

- ready-to-eat food (for example, cookies, chips, and frozen meals)
- appliances
- electronics
- furniture

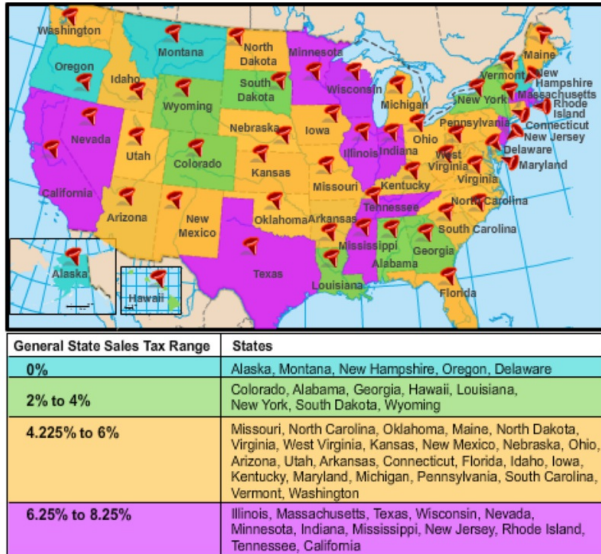
### Colorado

<https://www.colorado.gov/pacific/tax/sales-and-use-tax-rulings-exemptions>

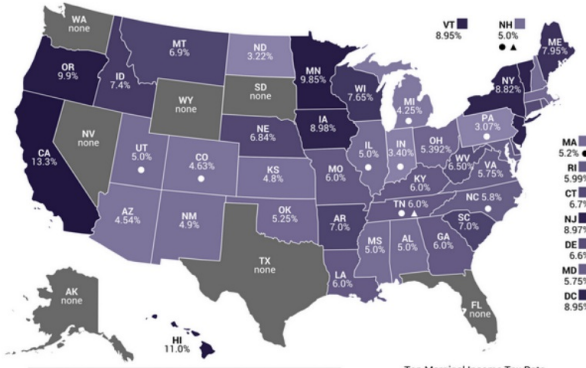
### Tax Lookup Task

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## 5.1 Sales Tax



## Top State Income Tax Rates



Note: Map shows top marginal rates: the maximum statutory rate in each state. It represents the statutory tax rate on the last dollar of income earned for the highest income individuals in that state. It is not an effective marginal tax rate, which would include the effects of phase-outs of various tax preferences. Local income taxes are not included. Data as of Jan. 1, 2014. Published Mar. 25, 2014.

Source: State forms and instructions; Facts & Figures 2014: How Does Your State Compare?

Top Marginal Income Tax Rate  
Lower Rate Higher Rate  
● State has a flat income tax structure  
▲ State only taxes interest and dividends income, not wages  
taxfoundation.org/maps

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## 5.1 Sales Tax

### Estimate sales tax

$$\begin{array}{r} \$53.86 \\ \times .03 \\ \hline \$1.62 \end{array}$$

1. First, add up the total of the taxable items.
2. Then, move the decimal left two places to get one percent of that price.
3. Finally, multiply that one percent by whatever number you need to arrive at the state sales tax percentage.

Colorado's state sales tax is 2.9%. What is the approximate sales tax on a purchase of \$129.50? How much is the total purchase cost? How much would this purchase cost in Montana?

$$\begin{array}{r} \$129.50 \\ \times .029 \\ \hline \$3.76 \end{array}$$

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## 5.1 Sales Tax

**Every state except Alaska, Delaware, Montana, New Hampshire, and Oregon assesses a general sales tax.**

Other income sources for states:

Whenever you go through a tollbooth in order to use a specific highway, bridge, or tunnel, you are paying the state government for the use.

States tax property owners according to the value of their property. Many property owners find it frustrating that they will always have to pay for their property, even when they own it!

Lotteries raise money for states because the state does not pay the winner everything that the lottery raises. States with low or no sales tax often raise more money from lotteries.

States impose "sin taxes" on entertainment or goods that are considered bad to do or consume, like alcohol, tobacco, or gambling. Many people feel that individuals consuming these products are imposing a cost on society, so they should pay a tax to offset that cost.

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## 5.1 Sales Tax

### Sales Tax Practice Problems

IWBAT consider various state sales taxes and practice calculating totals, taking exempt items into account and understand why sales tax is considered regressive.



## 5.2 Coupons, Rebates, and Sales

### Why is sales tax considered a regressive tax?

It impacts poorer people more than wealthy people for the same purchases.

### Shopping with Sales Tax

$$0.052(12+286+485) = \$40.72_{(16)}$$

## 5.2 Coupons, Rebates, and Sales

IWBAT understand the effect of a coupon, rebate, or sale, and calculate the purchase total using a formula: (item price – deduction) + tax.

I will do this via capturing notes in Cornell notes format, whole class discussions to introduce and clarify key concepts, and completing practice problems collaboratively with teacher support.

## 5.2 Coupons, Rebates, and Sales

Coupons - paper or electronic discount off of the price of an item or a set of items



Because the retailer will eventually receive full price even when a coupon is used, sales tax must be paid on the full price of the item. In other words, the customer is expected to pay the tax on the full price of the item.

A box of cereal costs \$3.59, but you have a coupon for 40¢ off. In Colorado, how much will that box of cereal cost you?

$$\$3.59 + .029(3.59) = \$3.29$$

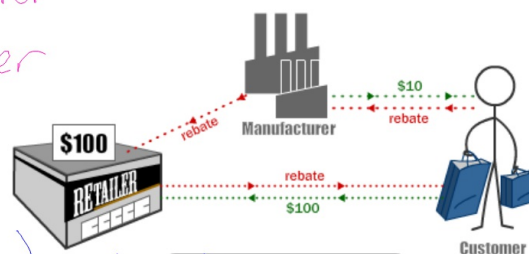
IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula: (item price – deduction) + tax.

## 5.2 Coupons, Rebates, and Sales

Rebates - money back to the consumer from the manufacturer



Since the rebate comes after the purchase, you pay tax on the whole price.



$$\text{price}(.0x) = \text{tax}, \quad \text{price}(1.0x) = \text{price w/ tax}$$

You are buying a printer for \$189.99 and there is a \$40 rebate from the manufacturer. In Colorado, what will the printer cost you?

$$\begin{array}{r} \$189.99(1.029) = \$195.50 \text{ at the register} \\ - 40.00 \\ \hline \$155.50 \end{array}$$

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## 5.2 Coupons, Rebates, and Sales

Sales -

a discount on the price of an item or a group of items taken before tax is calculated



An outfit for your child costs \$52.28, but is on sale for 25% off. In Colorado, how much will the outfit cost?

$$(.75) 52.28 = \$39.21 \quad (1.029) = \$40.34$$

$$(.75)(52.28)(1.029) = \$40.34$$

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## 5.2 Coupons, Rebates, and Sales

Summary:

### Coupon:

Valid for certain items only

Can be used to promote a new item by encouraging customers to buy it

Might also be used to get rid of an older item that has been around too long

### Rebate:

Applies to a specific item

Good for a company, because a customer has to mail in documents to get the discount, and the customer may forget to do so

Could influence a customer when the customer is comparing similar products

IWBAT understand the effect of a coupon, rebate, or sale and calculate the purchase total using a formula: (item price – deduction) + tax.

## 5.2 Coupons, Rebates, and Sales

### Sale:

Can be valid for a group of items, for example, all men's clothing

Good for clearing a store of older items

Effective in drawing customers into a store

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## 5.2 Coupons, Rebates, and Sales

If a bicycle is regularly \$329 and today is marked down 12%, how much does it cost now?

$$(.88) 329 = \$289.52$$

If this bicycle is marked down an additional 12% tomorrow and 12% the day after, what will be the final price of the bike?

$$(.88) 289.52 = \$254.86$$

$$(.88) 254.86 = \$224.27$$

$$(.88)(.88)(.88) 329 = \$224.27$$

Is there a formula to model this sequential discount?

$$(.88)^3 329 = \$224.27 \quad P(1-d)^n$$

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